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Reconstruction in Great Britain

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RECONSTRUCTION IN GREAT BRITAIN

An outline of the remarkable preparations being made in the United Kingdom to maintain and improve its commercial position after the war

Organization, co-operation and combination are the guiding principles in the remarkable preparations which Great Britain is making for reconstruction. In the industrial, commercial and financial world the common impulse is towards the close association of banking, trade and business interests. A new industrial machinery is being created, so constructed that Great Britain will be able to maintain and improve its commercial position in the face of intense and highly organized competition.

The United Kingdom is considering changes in economic policy which may have far-reaching influences on world affairs. It is correcting surely the mistaken policies of the past which left it dependent upon other countries for essential commodities. Not only are new basic industries being established. The impetus lent to land cultivation by government and public activity has gone far to correct the dependence of the United Kingdom upon other countries for foodstuffs. It is estimated that for this year sufficient food will be produced to feed the population for 40 weeks as against provision for 10 weeks before the war. The area under wheat is now one and a half times what it was in 1914. The supply of home grown cereals in 1917 was more than 850,000 tons greater than the previous year, and the potato crop showed an increase of 3,000,000 tons. By the middle of

February this year some 1,200,000 fresh acres had been brought under the plow in addition to the fresh acreage recorded in 1917. At the end of May, the Director-General of Food Production for England and Wales published an interim report on the result of the year's campaign for increasing home grown supplies. It estimated that the area of land under corn crops this year in the United Kingdom will be more than four million acres greater than that of 1916, and that the acreage under potatoes in England and Wales alone will be 50 per cent. larger than in 1916. Both these figures would constitute a record in the history of British agriculture. They do not take into account the produce of allotments and private gardens, of which the former have increased in England and Wales by not less than 800,000 since 1916. Much of the greatly increased production is due to the work of women; 316,000 being employed on the land of whom 300,000 are village women, and 16,000 in the land army. Indeed, not only agricultural but industrial and national life have been affected by women war workers who are now estimated to total 4,500,000 of whom nearly 1,500,000 are doing men's work. No fewer than 1,000,000 are employed on munitions, while many thousands are to be found in banks and financial institutions, stores, shops, railway employment and other occupations.

As Great Britain has met with such signal success in its land cultivation programme, so, there are striking indications that a new spirit has been introduced into its industrial life which may go far towards establishing better relations between capital and labor. This new industrial movement is dealt with at length in a pamphlet, "Industrial Relations," already published by the Canadian Reconstruction Association. It furnishes further convincing proof of the progressive temper in which the United Kingdom is dealing with reconstruction problems.

INDUSTRIAL POLICY

In the manufacturing, commercial and financial fields tremendous preparations are being made to meet the future. In July, 1916, Mr. Lloyd George appointed a special committee, under the Chairmanship of Rt. Hon. Lord Balfour of Burleigh, to consider the commercial and industrial policy to be followed after the war. While this committee was conducting its investigations, special committees appointed by the Board of Trade (which is a department of the British Government) were active in consideration of definite proposals affecting the most important and staple trades. These included the iron and steel, engineering, electrical and non-ferrous metal trades; the woollen and worsted, silk, linen, cotton, jute and shipbuilding industries; the carpet associations, the lace and embroidery trades and the cotton hosiery and fabric glove industries. Inquiries were largely confined to supply of raw materials, production and marketing. A summary of the conclusions reached gives significant indication of the trend of industrial opinion.

RAW MATERIALS

In dealing with raw materials, the Iron and Steel Trades Committee recommended the creation of an

organization co-operative in character, for the purpose of securing supplies of suitable iron ore. It suggested that this organization might ultimately become the owner of large deposits, or gain absolute control of them in such a way as to ensure continuous and uninterrupted supplies to the British manufacturer. The Non-ferrous Metal Trades Committee proposed the establishment of a powerful national organization to secure and market supplies. The Engineering Trades Committee recommended that firms be encouraged to work together for the purchase of raw materials. Commenting on the proposals of these various trades, the Balfour Committee was of the opinion "that every encouragement should be given by the Government to the formation of combinations of manufacturers and others concerned to secure supplies of raw materials, and that, where it appears expedient that the control of mineral deposits in foreign countries should be obtained, all practicable support should be given."

COMBINATION URGED

Combination was likewise a feature of committee reports on production. The iron and steel trades recommended that British manufacturers should be urged to form combinations for the purpose of laying down large and well designed new units, for cheap production upon modern lines and for the remodelling of old plants. The Engineering Trades Committee urged that manufacturers should be encouraged to work together in larger units, either by amalgamation or by joint working, by pooling of resources and by specializing production. Impressed by the economic waste and inefficiency in competition in the smaller textile industries, the textile trades recommended that units of production should be enlarged wherever possible, either by amalgamation or by means of working agreements.

The Electrical Trades Committee also declared in favor of recognition of the advantages of combination among manufacturers, and the Shipping and Shipbuilding Committee directed attention to the need for effective co-operation and co-ordination of output among shipbuilders and marine engineers. The Iron and Steel Trades Committee further suggested the possibility of Government financial aid for the wide extension, reconstruction and reorganization of necessary plants.

GREATER MARKETS

Co-operation in marketing was strongly urged by numerous committees. The Coal Trade Committee recommended that coal owners, exporters and shippers interested in special markets should co-operate to prevent these markets from passing out of British control and to secure satisfactory discharging, landing and transport facilities for British coal in foreign countries. The Iron and Steel Trades Committee proposed that their manufacturers should associate themselves for the purposes of export trade, and should form common selling organizations by extension and consolidation of existing associations. It suggested that such consolidation should take the form of a company limited by shares, with which agency agreements might be made by each participant, whether an association or an individual. Under this proposal the selling associations would be brought together in a single national organization undertaking the distribution of orders so as to reduce the cost of production to the lowest point by keeping individual works running as long as possible on standard products. The Engineering Trades Committee recommended that manufacturers should be encouraged to work together for the organization of export sales, and the Textile Trades Committee suggested that efforts should be made in the same

direction of combined representation or co-operative selling. Commenting on the proposals for the establishment of joint selling organizations, the Balfour Committee contended that "such development is not only desirable in some cases but is practically inevitable under modern economic conditions, and we think that the attitude of public opinion, of local authorities and of the State, which, broadly speaking, has hitherto been more or less avowedly antagonistic to the very principle of combination, must be modified."

GENERAL TRADE POLICY

Referring generally to the various proposals for re-organization advanced by the different trades, the Balfour Committee, approving of combinations amongst manufacturers, said:—"We think that combinations to be useful to the trade of the country should be upon lines aimed at co-ordinating production, promoting efficiency, economizing waste, promoting home trade, facilitating export trade and unifying selling arrangements. The ideal at which trade combinations should aim is the maximum of production at the minimum of cost."

While questions of material production and marketing have attracted industrial attention, much regard has been paid also to the need for financial assistance. As a result of the recommendations of a special committee appointed by the Board of Trade, under the Chairmanship of Lord Farringdon, a British Trade Corporation has been established under Royal Charter, with a capital of \$50,000,000. Its general objects will be to assist in the development of British trade and industries. This Trade Corporation will not endeavor to compete with the business of existing British banks and merchants. Its aim will be to assist, with the co-operation of banks and other institutions, the inception of new undertakings. For this purpose

it will promote the formation of syndicates and the placing of issues. When British capital is raised by its means for overseas enterprises, it will seek to have subsequent orders placed in Great Britain. It will pay special attention to the study of new schemes. For this purpose it will develop an Information Bureau with representatives abroad which will keep in touch with the Department of Public Intelligence of the Board of Trade. It will also give financial assistance to arrangements for promoting the better organization of British industries. The Balfour Committee welcomed the establishment of this Corporation. The British Empire Producers Organization proposes the establishment of an Imperial Bank of Industry with a capital of \$200,000,000 with the object of furthering production and industrial development throughout the British Empire. It suggests that half the capital should be guaranteed by the United Kingdom and the remainder by the Dominions and greater Crown Colonies in various proportions. It proposes that it should be managed by trustees appointed by the respective guaranteeing estates. While the Balfour Committee did not recommend the adoption of this proposal, committee after committee in the great basic trades has urged the necessity for improved financial facilities.

EXPORT TRADE PLANS

The necessity of combination for export trade has been widely recognized. This recognition has been given practical expression in the British business world in the reception of Sir G. Charles Mandleberg's proposals for the creation of a great British Manufacturers' Corporation. As proposed, this Corporation will have a membership of approximately 1,000 manufacturers or producers with a capitalization of \$1,000,000. Members of the Corporation will be represented in every market in the

world by an agent-in-charge whose office will be "as fixed and conspicuous a feature of the life of the country as that of the British Ambassador or minister in the political sphere." It will be the function of the agent-in-charge to secure and transmit information of requirements which can be met by British manufacturers and to familiarize the business men of the country to which he is "accredited" with English products and English methods. As well as having agents in foreign markets, the Corporation will also, acting collectively, secure the best terms for individual members desiring financial facilities. In addition to advances from bankers against bills of lading, facilities will be provided for: (a) discounting bills against bills of lading, giving foreign customers three to six months credit; (b) advances against invoices for customers having current accounts; (c) insurance against loss on foreign accounts, a company having recently been formed to guarantee up to three-quarters of such accounts. The proposal has been well received and organization is already considerably advanced. At a preliminary meeting in London, a provisional committee was appointed and Sir Charles Mandleberg elected as chairman. Already 300 members have joined the Corporation. It is expected that the full membership will be enrolled within a short time.

A Federation of British Industries, representing over \$12,000,000 of capital and likely to represent three or four times that amount, has been created to stimulate exports. On its executive council are representatives of such firms as the National Union of Manufacturers, Vickers Limited, the National Employers' Federation, the British Engineers' Association, the British Electrical and Allied Manufacturers' Association and the Association of British Motor and Allied Manufacturers. It has already submitted constructive recommendations for

the development of the British fishing industry and has other important work in hand.

METAL BANK AUTHORIZED

Great Britain has authorized a Metal Bank to assist the metal and chemical industries. In the dye industry, not only research but the industry itself has been heavily subsidized. Over \$5,000,000 has been advanced by the Board of Trade to British Dyes, Limited, including \$3,000,000 for building purposes and \$750,000 for research. The import of dyes, except by licenses, has been prohibited for ten years after the war. A Shipping Loan Bank with \$50,000,000 capital has been created. Commercial Intelligence to-day is an independent Government Department with a Parliamentary Secretary of its own. It exercises control over the consular service and over the activities of the Trade Commissioners. Under its direction the number of Trade Commissioners has been increased from four to sixteen and numerous fairs and exhibitions have been held of German and Austrian goods to be replaced and of British goods with which to replace them. The Board of Trade has been reorganized and consolidated and its work greatly extended. Two Departments have been created. The first is the Department of Commerce and Industry which "will be mainly concerned with the development of trade and with the duty of thinking out and assisting national commercial and industrial policy." The second is the Department of Public Service Administration, the chief work of which will be the administration of important statutes relating to trade and communication.

A VAST ORGANIZATION

A tremendous organization including over 80 committees has been created under the Minister of Reconstruction. Prominent among the

questions with which the new Ministry is dealing is that of commerce after the war. Fourteen committees are studying trade development. Twenty-one committees are conducting scientific and industrial research. Eight committees are working on demobilization, acting as connecting links between the demobilization proposals of the Ministry of War and the elaborate re-settlement scheme of the Ministry of Labor. There are six committees on raw materials, six on coal and power, two on finance, four on agriculture and forestry, two on intelligence, six on public administration, two on labor and employment, four on housing, eight on education, two on aliens, three on legal matters, and three on miscellaneous questions.

A particular committee advises an expenditure of \$75,000,000 spread over 40 years to improve forests and plant new forests. It declares that "the whole sum involved is less than half the loss incurred during the years 1915 and 1916 through dependence on imported timber." One committee is preparing lists of possible manufactures to which the present munitions and other war factories can be devoted. It is dividing these lists into those which can employ women only, women and men, and men only. Another committee is preparing to dispose of such military supplies as may be on hand at the end of the war, and will be no longer needed. Still another is making plans to use horses and mules now in Government service. Some of the horses will be used as the nucleus of great breeding enterprises to provide a plentiful supply of light work horses for British farmers after the war.

The close of the war will, of course, present tremendous financial problems, and these are being discussed actively by a special committee. It is hoped that the Government will be able to furnish funds to factories to help tide them over the

period from producing war supplies to peacetime necessities. Since a great rush of building is expected, a system of priorities in building materials is being worked out. Coal mining is being studied to secure universal introduction of the most advanced methods, and the most economical ways of utilizing coal as fuel for heat and power production are to be developed.

SCIENTIFIC RESEARCH

That Great Britain expects an increasing utilization of land for public purposes is indicated by the fact that one committee is working out ways and means of taking over land for community use. Another is at work creating a permanent national policy in regard to the employment of women. Incidentally, the plans for demobilization of the army are so minute and complex that there is a special committee at work planning to find positions for wounded and invalided officers in India, Burma, the Eastern Colonies and the Malay States. Great commercial development of India is hinted at in the plans of the industrial development commission. Subsidies to Indian industries when necessary, elaborate bureaus of technical information about new enterprises, and Government demonstration of the practicability of new industries are being considered.

Recognizing "the special need for new machinery and for additional State assistance in order to promote and organize scientific research with a view especially to its application to trade and industry," the Board of Education in 1915 proposed a scheme for the organization and development of scientific and industrial research. The machinery consisted at first of a Committee of the Privy Council with a smaller Advisory Council. The work of the Committee increased so rapidly and plans for the future developed to such an extent that in December, 1916, the

Government established a separate Department of Scientific and Industrial Research. At the same time the Government voted \$5,000,000 to meet the first five years expenditure. This Department, which in the view of the Balfour Committee will greatly strengthen British manufacturing industries, is promoting industrial research in four distinct ways. It is encouraging firms in the well established industries to undertake a co-operative study of the scientific problems affecting their processes and raw materials, and it is prepared to make substantial grants to Associations of firms established for the purpose with the approval of the Department. It is undertaking at the public cost investigations which from their nature make them unsuitable for effective handling by any single industry, however powerful. It has taken over the property and financial control of the National Physical Laboratory and has assumed responsibility for the establishment of standards on a scientific basis. Finally, it is making energetic efforts to increase the numbers of trained research workers. The Department itself has established 21 Research Boards or Committees, the most important of them being the Fuel Research Board.

BANK AMALGAMATIONS

While all these progressive measures for the reconstruction of British industries have been taking place, the spirit of co-operation and amalgamation has found remarkable expression in strictly financial circles. Recent gigantic bank amalgamations afford one of the most striking indications of the comprehensive manner in which the United Kingdom is approaching the problem of the future. While bank absorptions and amalgamations are no new phenomenon in Great Britain, the present movement is not, as in the past, one of absorption of local banks by large

institutions, but the union of joint stock banks both already possessing large funds. At the latter end of 1917 the London & South Western Bank amalgamated with the London & Provincial. This was followed by the fusion of the Union of London and Smith's Bank with the National Provincial Bank of England. Then came the absorption of Parr's Bank by the London County & Westminster. This again was followed by a merger of the London City and Midland Bank with the London Joint Stock Bank, giving these two great banks combined deposits of \$1,435,000,000, the largest of any private banking institution in the world. In consequence of growing public apprehension lest these amalgamations should result in the creation of a "money trust," the British Government in March last appointed a Special Committee to investigate the whole question of amalgamations. The Committee recommended that the Government's assent should be a condition of any future amalgamations. Since then it has been announced that with the sanction of the Treasury, Lloyd's Bank has absorbed the Capital & Counties Bank, purchased the London & River Plate Bank, and settled terms of amalgamation with the National Bank of Scotland. Under these amalgamations Lloyd's Bank will have a capital of \$225,000,000, deposits of \$1,200,000,000, and 1,350 branches. These mergers and amalgamations are described as the most important banking arrangement that has ever taken place in the history of British banking. "Instead of being a purely English undertaking, Lloyd's Bank may now be regarded as an international institution with its influence extending freely into Scotland—hitherto untouched by English banks—and southward and westward as far as Argentina, Uruguay, Brazil and Chile, while, by reason of previous arrangements, it is interested in France and Italy—in the

former country through the formation of a French auxiliary, Lloyd's Bank and National Provincial Bank, Ltd., and in the latter through the formation of the British Italian Corporation of which Lloyd's Bank was a joint founder and is the principal shareholder."

As a result of all these recent amalgamations twelve London banks have been combined into five institutions with total deposits of \$5,519,672,444.

POWERFUL BANKS NEEDED

The Directors of Lloyd's, in recommending absorption and amalgamation to the shareholders, argued that the step was a constructive one in relation to after-war industrial expansion. They contended that big business will require big banks. Their attitude is that of the British financial world which realizes that the keen commercial and industrial competition after the war will require the strongest financial backing directed by the best banking brains of the country. This conviction found striking expression at the recent meeting of the Association of British Chambers of Commerce, when Sir Edward Holden, Chairman of the London City & Midland Bank, a recognized authority on joint stock banking, defended the policy of past and present bank amalgamations. He estimated that for the purposes of changing British plants over from war production to peace production, of bringing up-to-date other plants, which have necessarily been allowed to run down, of purchasing raw material and of the general improvement of the trade position, banking credits of not less than \$1,500,000,000 will be required. He contended that the development now taking place is absolutely necessary for the future welfare of British trade, and moved the following resolution which was almost unanimously adopted:—
"This Association recognizes the need for powerful British Banks with

resources adequate for the demands of our home and foreign trade, but considers that the Board of Trade should be empowered to guard against agreements, amalgamations or working arrangements between banks which can be shown to be injurious to commercial interests."

Another striking bank amalgamation is now proposed between the London Provincial & South Western Bank and Barclay's Bank, Limited. At a recent meeting called to approve resolutions for amalgamation, Sir Herbert Hambling, Chairman of the London Provincial & South Western Bank, declared that the period of re-adjustment after the war will prove the most difficult in the economic history of the British Empire, and defended bank amalgamations as necessary to ensure trade development against the powerful German industrial banking machines.

FISCAL POLICY

While from day to day Great Britain is strengthening steadily its trade organization, changes in fiscal policy are foreshadowed which will alter materially not only the domestic but the international industrial situation. The United Kingdom is determined that it shall not be again the dumping ground for foreign products. Demands for anti-dumping legislation have been given expression by trade committee after trade committee. The Balfour Committee, after summarizing evidence and recommendations, has advised that "legislative action for the prevention of 'dumping' be taken in the United Kingdom on the lines adopted in Canada," but it sees no reason why the 'anti-dumping duty' should be restricted as in the Dominion to 15 per cent. "We think it should be equivalent to the full difference between the 'selling price' and the 'fair market value,' however large that difference may be."

The Committee was emphatic that key or pivotal industries should

be maintained "at all hazards and at any expense." Among the commodities which it cited for special mention under this head were Tungsten, Magnetos, Optical and Chemical Glass, Hosiery Needles, Thorium Nitrate, Limit and Screw Gauges, and certain Drugs, as well as Synthetic Dyes and Spelter with respect to which Government action has already been taken. As the causes which have made British Trade dependent upon enemy countries for the supply of particular commodities are by no means uniform, the Committee found it impossible to frame an exhaustive list of such industries. It recommended, therefore, the establishment of a permanent Special Industries Board to determine the industries needing special assistance and the nature and extent of such particular help. "Such industries," said the Balfour Committee, "must be kept alive either by loans, by subsidy, by tariff, by Government contracts, or in the last event by Government manufacture. They will necessarily be subject to Government supervision."

NECESSITY FOR TARIFF

In the reports of the Board of Trade Departmental Committees, the necessity for a tariff was emphasized by the Iron and Steel, Engineering, Electrical, Lace and Embroidery trades; the Woollen and Worsted industry, the Carpet Associations, the Silk, Linen, Cotton Hosiery and Fabric Glove industries, and the Non-Ferrous Metal trades (in respect to manufactured lead). The only trades reporting against a tariff were the Cotton Industry, which feared that if a tariff were to raise the cost of production efficiency in competition would to that extent be handicapped; the Jute industry, provided it had a first claim on the export of jute from India; and the Shipbuilding industry which, however, urged anti-dumping legislation. After examining the evidence, the

Balfour Committee came to the following conclusions:—

PROTECTION ADVISED

"(1) That protection by means of customs duties should be afforded only to carefully selected branches of production which must be maintained either for reasons of national safety or on the general ground that it is undesirable that any industry of real importance to our economic strength and well-being should be allowed to be weakened by foreign competition or brought to any serious extent in this or other ways under alien domination or control; and

"(2) That such protection should not in any case be accorded until a searching examination has been made into all the circumstances of the branch of industry by a competent and independent authority, which should take into consideration the sufficiency of other measures to secure the object in view."

Important industries requiring consideration in the light of the above, include "the heavy iron and steel trades and numerous branches of the manufacture of iron and steel goods; the engineering trades, including electrical and motor engineering; the production of a considerable number of non-ferrous metals and ferro-alloys; shipbuilding; many branches of the chemical trades; the textile trades almost as a whole; the manufacture of various

classes of rubber goods, especially tires; and the leather industries."

IMPERIAL PREFERENCE

While the British Government is committed to a policy of Imperial Preference, it is interesting to note that the Balfour Committee directed attention "to the expediency of considering measures of Imperial Preference other than the imposition of differential customs duties, as, for example, Government contracts to purchase for a term of years at guaranteed minimum prices, part or the whole of the output of materials of great industrial importance (a course already adopted in the case of Australian zinc concentrates and refined spelter), or financial assistance from the Home Government towards the development of Imperial resources, as in the case of Canadian nickel."

In the matter of commercial treaties and preferential treatment of the Allies, the Committee was of the opinion "that any action in the direction of preferential treatment of our Allies should be of a kind compatible with the maintenance of our existing Commercial Treaties, namely, the grant to such of the Allies and Neutrals as may be prepared to reciprocate, reductions from the general rates of duty in respect of such classes of goods subjected for any reason to import duties as may be of particular interest to them, those classes of goods being so selected that the reductions would be of no practical use to other states to which they might nominally be extended by virtue of the 'most-favoured-nation' clause."

This is the first of a series of pamphlets to be issued by the Canadian Reconstruction Association dealing with measures being taken in other countries to meet after-war conditions. Cessation of hostilities will be followed by a period of intense commercial rivalry. In Great Britain, the United States, France, Japan, Italy and the Central Empires organization, co-operation and combination are the guiding principles of the preparations which financial, industrial and business interests are making with the'r Governments for the coming trade struggle. It is essential that there should be like preparations in the Dominion.